



# WASHINGTON MONITOR

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*The Washington Monitor is a product of the Japan Fair Trade Center in cooperation with the international trade practice of the U.S. law firm of Winston & Strawn LLP. All questions concerning its content should be addressed to:*

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## Trade Briefs

This week the Senate Finance Committee held a hearing on “The U.S. – China Economic Relationship: A New Approach for a New China.” The hearing touched on the outcomes of the U.S.-China Strategic and Economic Dialogue (SED), currency reform, trade preferences, intellectual property rights, and the Chinese indigenous innovation policy.

Senate Finance Committee Chairman Max Baucus (D-MT) chaired the hearing. Ranking Member Charles Grassley (R-IA) attended, as did Senators John Kerry (D-MA), Charles Schumer (D-NY), Olympia Snowe (R-ME), and Jim Bunning (R-KY).

The primary witness testified to the Committee on the administration’s economic policy dealings with China:

- **Timothy Geithner**, Secretary of the Treasury, United States Department of the Treasury, Washington, DC

Chairman Baucus’ opening remarks focused largely on the interdependent relationship between the United States and China. He stated that the U.S. is now in a position to “rethink and revitalize the US-China economic relationship” and proposed four key points in moving forward:

- Formulate a comprehensive and holistic strategy to better manage bilateral relations, led by the White House, whereby economic concerns are on an equal footing with strategic ones.
- Approach China’s economic policy as a global concern, not just an American one and engage allies when addressing issues such as currency or industrial policy
- Utilize and strengthen tools offered by international institutions such as the International Monetary Fund and the World Trade Organization
- Show willingness to take strong unilateral action in areas the United States deems most important to its security

Ranking Member Grassley stated he had serious concerns with respect to the direction of China’s economic and trade policy and emphatically disagreed with the Treasury’s decision to delay issuance of its currency report. He appeared frustrated with China’s indigenous innovation policy as it has been designed to limit the access of foreign investors within the country and localizes research and development. He suggested that the United States should update its own government procurement policies should China refuse to address the issues within indigenous innovation.

Geithner focused largely on protecting the interests of the United States and stated the administration’s strategy is to expand opportunities for American workers and businesses abroad. He noted that while there has been progress, significant challenges remain in terms of:

- Promoting a level playing field for both American workers and businesses

through a “simple principle of fairness” where Americans compete on fair terms (most often in the case of government procurement within China)

- Promoting economic growth through savings and investment and ensuring that China’s veer towards reliance on domestic demand does not stifle economic reform
- Currency manipulation

He noted that while not all issues have been addressed regarding the indigenous innovation policy, China has pledged itself to the following principles of innovation: non-discrimination, market competition, open trade and investment, strong enforcement of intellectual property rights, and terms of technology transfer will be left to agreements between individual firms. China has also agreed to resolve any pending concerns through high level negotiations. Secretary Geithner also stated that he shares the concerns of the Committee that currency manipulation is unfair to the United States and its trading partners. He mentioned China has committed itself to opening its currency to fluctuation but has not given a specific date.

Chairman Baucus questioned whether there actually is a level playing field in the US-China economic relationship due to the fact that the Chinese are results based while the United States is a rule based economy. He also felt the administration does not have a trade policy towards China in place to deal with Geithner’s challenges.

Ranking Member Grassley continued to express his frustration with the Treasury’s decision to delay its currency report in light of the Strategic and Economic Dialogue. He cited previous testimony in 2009 that Secretary Geithner believed China to be a currency manipulator and questioned whether or not that continues to be the case. He also felt the Treasury should be working more closely with its allies to address Chinese currency reform.

Geithner pointed out that the G20 meeting of finance ministers has worked directly to address this particular issue but did not offer any definitive plans to move forward.

Senator Kerry focused largely on the Secretary’s first challenge as he noted that the Chinese government radically favors domestic producers through government procurement programs and its industrial policy. He witnessed frustration with American companies operating within China who go through the bidding process only to be written out of the winning contracts despite being competitive. He seemed resigned to the fact that there was little the United States could do to force China to address these issues in the short-term.

Geithner responded by saying China would need to put reforms in place which would reduce domestic demand and increase import growth. He also stated that China should remove and reduce barriers to market access and abolish the preferences it provides domestic companies.

Senator Schumer discussed China’s policy of “large scale intervention in the exchange markets” and the “severe undervaluation” of the yuan. He stated that the continued subsidization of its exports are a direct result of its undervalued currency and in turn make US products more expensive. He noted that CEO’s are able to compete with China in terms of labor costs but do not stand a chance against currency manipulation as Chinese goods become

40 percent cheaper. He stated that the level of undervaluation is back to where it was in 2005 and this serves as a fair warning to the administration that the Senate will move forward with its currency bill. The bill will implement sanctions for countries who fail to relax restrictions on their currency.

Geithner agreed with Schumer's comments and thanked the Senator for giving the administration time to work with the Chinese government thus far but understood there remains overwhelming bipartisan support for the bill.

Senator Snowe took a bearish stance as to whether Washington had a "definitive plan" to cope with the currency issue and the ability to create jobs as a result. She cited a study which reported that 1.4 million jobs remain at risk over the next few years in part due to the manipulation of currency and subsidies. She supports the administration's efforts to promote dialogue on these issues within the SED, but remains pessimistic that it will induce change without a threat to back it up.

Secretary Geithner stated that the SED talks have made progress as China continues to commit itself to reforming its currency, change and modify the most discriminate parts of the indigenous innovation policy, and to protect intellectual property rights for American companies. In regards to job creation, he said that America itself needs to make its own economy stronger through increased exports and the use of targeted measures to induce competitiveness.

Senator Bunning's comments continued to focus on the Treasury's inability to produce a timely currency report. He also stated that the Treasury was disobeying the law by not releasing its report within the six months allowed. He questioned the Secretary on why the Treasury felt it to be a more strategic and effective decision when dealing with the Chinese.

## **Dumping Watch**

### **Preliminary Results of Antidumping Duty Administrative Review for Circular Welded Carbon Steel Pipes and Tubes from Taiwan:**

On June 10<sup>th</sup>, the Department of Commerce (DOC) gave notice that it had reached preliminary results in the administrative review of the antidumping (AD) duty order on certain circular welded carbon steel pipes and tubes from Taiwan. The DOC published notice of this AD order in October 2002 and in May 2009 the DOC gave notice of opportunity to request an administrative review. On June 1<sup>st</sup> 2009, Wheatland Tube Company (petitioner) requested a review of Yieh Phui Enterprise Co., Ltd and the DOC published the notice of initiation of the AD review.

The DOC preliminary determination is such that sales of subject merchandise by Yieh Phui Enterprise Co., Ltd. have been made below normal value and a weighted-average margin of 5.04% has been issued for the May 1, 2008 through April 30, 2009 period of review. The DOC will publish the final results of this administrative review within 120 days.

## Investigations of Stainless Steel Wire Rod from Italy, Japan, Korean, Spain and Taiwan:

On June 8<sup>th</sup>, the United States International Trade Commission (ITC) determined that the revocation of the antidumping (AD) duty orders on stainless steel wire rod from Italy, Japan, Korea, Spain, and Taiwan will likely lead to the continuation of material injury to domestic U.S. producers in the foreseeable future. The ITC instituted reviews in July 2009 and determined in October 2009 that it would conduct full reviews. A public hearing was held in Washington, DC on April 8, 2010 and all persons who requested the opportunity were permitted to appear in person or by counsel. The ITC communicated its determinations to the Department of Commerce on May 28, 2010.

## Federal Register Notices

### *International Trade Administration*

**[A-489-501] Certain Welded Carbon Steel Pipe and Tube from Turkey:** Notice of Preliminary Results of Antidumping Duty Administrative Review *75 FR 33262-33268*, June 11, 2010.

**[C-570-966] Drill Pipe from the People's Republic of China:** Preliminary Affirmative Countervailing Duty Determination *75 FR 33245-33262*, June 11, 2010.

**[C-533-839] Carbazole Violet Pigment 23 from India:** Final Results of Countervailing Duty Administrative Review *75 FR 33243-33244*, June 11, 2010.

**[A-351-838] Certain Frozen Warmwater Shrimp from Brazil:** Notice of Rescission of Antidumping Duty Administrative Review *75 FR 32915*, June 10, 2010.

**[A-583-008] Circular Welded Carbon Steel Pipes and Tubes from Taiwan:** Preliminary Results of Antidumping Duty Administrative Review *75 FR 32911-32914*, June 10, 2010.

**[A-570-894] Certain Tissue Paper Products from the People's Republic of China:** Final Results of Expedited Sunset Review *75 FR 32910-32911*, June 10, 2010.

**[A-570-949] Wire Decking from the People's Republic of China:** Final Determination of Sales at Less Than Fair Value *FR 32905-32910*, June 10, 2010.

**[C-570-950] Wire Decking from the People's Republic of China:** Final Affirmative Countervailing Duty Determination *75 FR 32902-32905*, June 10, 2010.

**[A-201-831] Prestressed Concrete Steel Wire Strand from Mexico:** Rescission of Antidumping Duty Administrative Review *75 FR 32747-32748*, June 9, 2010.

**[A-570-912] Certain New Pneumatic Off-the-Road Tires from the People's Republic of China:** Preliminary Results of Changed Circumstances Review *75 FR 32376-32378*, June 8, 2010.

**[A-403-801] Fresh and Chilled Atlantic Salmon from Norway:** Final Results of Antidumping Duty Changed Circumstances Review *75 FR 32370-32371*, June 8, 2010.

**[A-570-947] Certain Steel Grating from the People's Republic of China:** Final Determination of Sales at Less Than Fair Value *75 FR 32366-32370*, June 8, 2010.

**[C-570-948] Certain Steel Grating from the People’s Republic of China:** Final Affirmative Countervailing Duty Determination *75 FR 32362-32366*, June 8, 2010.

**[A-570-831] Fresh Garlic from the People’s Republic of China:** Extension of Time Limit for the Preliminary Results of the New Shipper Reviews *75 FR 32362*, June 8, 2010.

**[A-570-831] Fresh Garlic from the People’s Republic of China:** Extension of Time Limit for Preliminary Results of Antidumping Duty Administrative Review *75 FR 32361-32362*, June 8, 2010.

**[C-570-913] Certain New Pneumatic Off-the-Road Tires from the People’s Republic of China:** Extension of Time Limit for the Preliminary Results of Countervailing Duty Administrative Review *75 FR 32159-32160*, June 7, 2010.

**[C-351-829] Certain Hot Rolled Flat Rolled Carbon Quality Steel Products from Brazil:** Extension of Time Limit for Preliminary Results of Countervailing Duty Administrative Review *75 FR 32160-32161*, June 7, 2010.

**[A-570-912] New Pneumatic Off-the-Road Tires from the People’s Republic of China:** Extension of Preliminary Results of Antidumping Duty Administrative Review *75 FR 32158-32159*, June 7, 2010.

#### *International Trade Commission*

**[Investigation No. 731-TA-1174-1175 (Final)] Seamless Refined Copper Pipe and Tube from China and Mexico;** Scheduling of the final phase of antidumping investigations *75 FR 33330-33332*, June 11, 2010.

**[Investigation No. 337-TA-691] Certain Inkjet Ink Supplies and Components;** Notice of Commission Determination Not to Review an Initial Determination Granting Motion to Amend the Notice of Investigation *75 FR 32971*, June 10, 2010.

**[Investigation No. 731-TA-770-773 and 775] Stainless Steel Wire Rod from Italy, Japan, Korea, Spain, and Taiwan;** Determinations *75 FR 32503*, June 8, 2010.

#### **The Week Ahead**

- On June 22<sup>nd</sup>, the ITC will hold a hearing on China’s Agricultural Trade: Competitive Conditions and Effects on U.S. Exports.
- On June 23<sup>rd</sup>, the Senate Finance Committee will hold a hearing on The U.S.-China Trade Relationship: Finding a New Path Forward